

Message Text

CONFIDENTIAL

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ACTION L-03

INFO OCT-01 ARA-10 ISO-00 EB-08 PA-01 PRS-01 USIA-06
CIAE-00 INR-07 NSAE-00 XMB-02 OPIC-03 SOE-02
AID-05 CEA-01 COME-00 DODE-00 DOE-11 H-01 INT-05
NSC-05 OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07
TRSE-00 ACDA-12 /121 W
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 0993

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E.O. 11652: GDS
TAGS: ENRG,ENIV, VE
SUBJECT: OIL COMPANY PROBLEMS

REF: (A) STATE 306831; (B) STATE 19438; (C) CARACAS 1024

1. HAVING BEEN SUMMONED TO THE PALACE ON ANOTHER MATTER, I TOOK THE OPPORTUNITY JANUARY 31 TO DISCUSS SUBJECT WITH THE PRESIDENT. GIVEN SUBSTANTIAL CHANGES AND DEVELOPMENTS IN THE SITUATION (SEE REFTEL C), I ADAPTED POINTS IN REFTEL A TO CURRENT SITUATION.

2. I TOLD PRESIDENT THAT I HAD BEEN INSTRUCTED TO RAISE MATTER WITH HIM; I REMINDED HIM OF HIS CONVERSATION WITH THE SECRETARY LAST NOVEMBER; AND I SAID THAT AS HE KNEW THE USG'S MAJOR CONCERN WAS THAT THE NATIONALIZATION PROCESS BE COMPLETED SATISFACTORILY AND THE COMPANIES COMPENSATED AS THEY HAD BEEN PROMISED WITHOUT UNJUSTIFIED DEDUCTIONS. I SAID THAT WE WERE PLEASED TO NOTE THAT THERE HAD BEEN PROGRESS IN THE THREE MAJOR AREAS WHERE CLAIMS AGAINST THE COMPANIES EXISTED, AND WE HOPED--AND URGED-- THAT THIS PROCESS BE COMPLETED SATISFACTORILY.

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3. I OBSERVED THAT WITH RESPECT TO ASSET VALUATIONS, WE HAD BEEN INFORMED THAT THE PROCESS HAD IN FACT BEEN COMPLETED FORMOST OF THE COMPANIES AND THAT TWO OR THREE CASES REMAINED. WE HOPED THAT THESE WOULD SOON BE COMPLETED IN A FAIR AND SATISFACTORY WAY. WITH REGARD TO THE COMPTROLLER CLAIMS, I SAID THAT I HAD BEEN INFORMED BY THE MINISTER OF HACIENDA THAT WHEN AND IF THE MATTER

WENT TO THE SUPREME COURT, THE ATTORNEY GENERAL WOULD PRESENT THE STATE'S OPINION IN THE CASE WHICH SUPPORTED THE COMPANIES. I SAID THAT AS HE KNEW THIS WAS A SERIOUS MATTER INVOLVING HUGE SUMS AND WAS OF GREAT CONCERN TO THE COMPANIES AND TO THE USG. THE PRESIDENT INTERRUPTED TO CONFIRM THAT THE ATTORNEY GENERAL WOULD PRESENT THE STATE CASE, AND SAID THAT IN ADDITION THE EXECUTIVE WAS ASKING THE LOWER COURT TO MAKE ITS DECISION AS SOON AS POSSIBLE WHATEVER IT MAY BE, SO THE PROCESS CAN MOVE ALONG.

4. WITH REGARD TO THE HACIENDA CLAIMS, I SAID THE MINISTER OF HACIENDA
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HAD INFORMED ME THAT THE COMMISSION STUDYING THE CLAIMS HAD BEGUN MEETING WITH THE COMPANIES TO RESOLVE THESE. THE ONLY THING THAT WORRIED ME, I SAID, WAS THAT THE PROCESS AS I UNDERSTOOD IT WAS TO BE CASE BY CASE AND COMPANY BY COMPANY, AND THIS COULD BE A LONG PROCESS. I SAID THAT IT MIGHT BE USEFUL TO CONSIDER SPEEDING UP THE PROCESS BY CONSOLIDATING THE CONSIDERATION OF THESE CASES IN PACKAGES SO THAT THE PROCESS DOES NOT DRAG ON INTO THE CAMPAIGN PERIOD.

5. THE PRESIDENT DID NOT RESPOND SPECIFICALLY TO MY LAST SUGGESTION, BUT SAID ONLY THAT THE PROCESS WAS GOING ALONG RAPIDLY. HE SAID THAT HE HAS BEEN INFORMED BY HIS STAFF THAT IN GENERAL PROGRESS IS BEING MADE AND HE WAS OPTIMISTIC THAT THE MATTERS WOULD BE RESOLVED RELATIVELY SOON. HE ASSURED
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ME THAT HIS INTEREST IN THIS WAS ALSO HIGH.

6. I DID NOT RAISE THE QUESTION OF TECHNICAL SERVICES CONTRACTS (PARA 3C, REFTEL B) BECAUSE I DO NOT THINK IT IS A PROPER REPRESENTATION TO MAKE TO THE PRESIDENT AT THIS TIME; BECAUSE IT IS NOT LEGALLY A PART OF THE COMPENSATION/CLAIMS ISSUE; AND BECAUSE I DID NOT WANT TO GIVE THE PRESIDENT A REASON FOR RAISING, ON HIS SIDE, THE OFF-TAKE AGREEMENTS.

7. COMMENT: WHILE RECENT DEVELOPMENTS HAVE BEEN ENCOURAGING, I SUSPECT THAT THE PROCESS MAY AGAIN BOG DOWN AT SOME POINT AND THAT CONTINUED REPRESENTATIONS WILL BE NECESSARY.
VAKY

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